

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-07 CEA-01 /104 W
-----071972 111657Z /64

P 111627Z MAY 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC PRIORITY 6494
INFO AMEMBASSY BONN
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
USMISSION GENEVA

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PARIS ALSO FOR USOECD; ALSO FOR USEC

PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A
TAGS: EFIN, ECON, BE, EC, IMF
SUBJECT: BELGIAN NATIONAL BANK GOVERNOR DE STRYCKER'S
COMMENTS ON IMF INTERIM COMMITTEE MEETINGS AND OTHER
TOPICS

REF: BRUSSELS 8156

1. DURING CONVERSATION WITH EMBASSY OFFICERS ON MAY 5
AND 10, BELGIAN NATIONAL BANK (BNB) GOVERNOR CECIL
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DE STRYCKER OFFERED THE FOLLOWING OBSERVATIONS ON CURRENT
FINANCIAL SUBJECTS OF INTEREST.
2. IMF INTERIM COMMITTEE MEETING. THE MEXICO REUNION
PROVED DISAPPOINTING AND WILL NOT BE REMEMBERED AS ONE OF
THE GROUP'S MOST PRODUCTIVE EFFORTS. THERE WAS NO REAL
PROGRESS MADE ANYWHERE EXCEPT ON SDR REFORM (WHICH BELGIUM
WELCOMES). THE FINAL COMMUNIQUE'S PROMISE OF A "COMMON

STRATEGY" TO REKINDLE WORLD RECOVERY IS LARGELY MEANINGLESS. DE STRYCKER LAID SOME OF THE BLAME ON THE ORGANIZATION OF THE MEETING, I.E. IT WAS TOO SHORT AND ORGANIZED AROUND ACROSS-THE-BOARD PRESENTATIONS BY EACH MINISTER, LEAVING NO TIME FOR DISCUSSION OF SPECIFIC MEASURES UNLIKE SOME INTERIM COMMITTEE MEETINGS IN THE PAST (COMMENT: WE HAVE HEARD FROM ANOTHER SOURCE THAT FINANCE MINISTER GEENS ALSO FOUND THE MEETING OF LITTLE VALUE).

3. WORLD ECONOMIC RECOVERY. DE STRYCKER EXPRESSED FRUSTRATION WITH CONTINUED WEST GERMAN RELUCTANCE TO FURTHER REFLATE ITS ECONOMY. MORE STIMULUS WOULD NOT BE INFLATIONARY; THERE IS SUBSTANTIAL UNDER-UTILIZATION OF CAPACITY AND GERMAN (AS WELL AS BELGIAN) INFLATION IS COST-PUSH, ANYWAY, NOT DEMAND-PULL. AS A CENTRAL BANKER, DE STRYCKER OBSERVED, HE HAS ALSO ARGUED REPEATEDLY WITH EMMINGER ON THE BUNDESBANK'S ATTACHMENT TO MONETARY TARGETS WHICH THE BELGIANS SEE AS POINTLESS IN CURRENT CONDITIONS WHEN MONETARY VELOCITY IS LOW. DE STRYCKER SAID THE TARGETS ARE ACTUALLY HARMFUL, TO THE EXTENT THAT THEY PLACE SELF-IMPOSED POLITICAL RESTRAINTS ON GERMAN MONETARY AUTHORITIES.

4. EUROPEAN MONETARY INTEGRATION. THE EC CENTRAL BANK GOVERNORS MEETING IN BASEL, MAY 8-9, AGREED TO PROCEED WITH PURELY TECHNICAL DEVELOPMENT OF VARIOUS OPTIONS FOR POSSIBLE IMPROVED MONETARY COOPERATION IN THE EC. THE LIMITED OFFICIAL USE

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CENTRAL BANKERS WILL NOT REPEAT NOT PRESENT THE BREMEN SUMMIT WITH ANY RECOMMENDATIONS, HOWEVER. DE STRYCKER THUS BELIEVES THERE WILL NOT BE TIME TO READY DETAILED PLANS FOR GREATER EC COORDINATION BEFORE BREMEN. THE U.K. AND ITALY ARE EXTREMELY UNLIKELY TO ACCEPT ANY ASSOCIATION WITH THE DEUTSCHMARK AT THIS TIME. THESE TWO COUNTRIES, AS WELL AS FRANCE, HAVE A LARGE AMOUNT OF TRADE OUTSIDE THE EC WHICH REQUIRES THEM TO STAY FLEXIBLE. THE U.K. APPEARS PARTICULARLY CONCERNED AT THE PROSPECT OF BEING CAUGHT BETWEEN A RISING DM AND A FALLING DOLLAR. DE STRYCKER'S CONCLUSION IS THAT GREATER DOLLAR STABILITY IS AN ESSENTIAL PRE-CONDITION TO ANY MEANINGFUL PROGRESS ON MONETARY COORDINATION IN EUROPE.

5. WE MENTIONED THAT WASHINGTON WAS FOLLOWING EUROPEAN MONETARY DEVELOPMENTS WITH INTEREST AND THAT THE US WELCOMES SUCH EFFORTS AS CONTRIBUTING TO INTERNATIONAL STABILITY. DE STRYCKER AGREED THAT, FROM HIS POINT OF VIEW, THE SCHMIDT INITIATIVE IS NOT REPEAT NOT ANTI-AMERICAN OR CONFRONTATIONAL (THUS DISTANCING HIMSELF FROM FOREIGN MINISTER SIMONET'S INTERPRETATION--SEE BRUSSELS 8531). DE STRYCKER SAID THE EC EFFORTS IN THE MONETARY FIELD SHOULD CONTINUE TO BE VIEWED IN THE CONTEXT OF CLOSE

US-EC COOPERATION AND COMMON INTERESTS. HE ADDED THAT HE
HAD MADE THIS POINT DIRECTLY TO U.S. GOVERNOR
WALLICH AT THIS WEEK'S BASEL MEETING. CHAMBERS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, COMMITTEE MEETINGS, BANKS, FINANCIAL TRENDS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BRUSSE09061
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780200-0920
Format: TEL
From: BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780571/aaaachvp.tel
Line Count: 119
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: e5318ea0-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 BRUSSELS 8156
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2727476
Secure: OPEN
Status: NATIVE
Subject: BELGIAN NATIONAL BANK GOVERNOR DE STRYCKER'S COMMENTS ON IMF INTERIM COMMITTEE MEETINGS AND OTHER TOPICS
TAGS: EFIN, ECON, BE, IMF, EEC, (DE STRYCKER, CECIL)
To: STATE USOECD MULTIPLE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/e5318ea0-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014